

**CRETARIAT**  
**ROUTING SLIP**

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17	NIO/ECON		X		
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**SUSPENSE** \_\_\_\_\_  
Date

Remarks

*HS*  
Executive Secretary

17 May '88

Date

88-1864X

3600

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20508

May 16, 1988

## MEMORANDUM FOR

MR. MELVYN LEVITSKY  
Executive Secretary  
Department of State

MR. H. LAWRENCE SANDALL  
Executive Secretary  
Central Intelligence Agency

MR. ROBERT B. ZOELLICK  
Executive Secretary  
Department of the Treasury

MR. JAMES FRIERSON  
Chief of Staff  
U.S. Trade Representative

COL. WILLIAM M. MATZ  
Executive Secretary  
Department of Defense

RADM. JOSEPH C. STRASSER  
Executive to the Chairman  
Joint Chiefs of Staff

MR. DAVE LYONS  
Special Assistant to the  
Secretary  
Department of Agriculture

DR. BERYL SPRINKEL  
Chairman, President's Council of  
Economic Advisors

MR. DONALD A. DANNER  
Executive Secretary  
Department of Commerce

MS. MOLLY HAGEBOECK  
Executive Secretary  
Agency for International  
Development

MS. ALETHA R. OWENS  
Executive Secretary  
Department of Health and  
Human Services

MR. JONATHAN F. THOMPSON  
Executive Assistant to the Director  
Office of Science and Technology  
Policy

MR. WILLIAM V. VITALE  
Executive Secretary  
Department of Energy

MR. LARRY TAYLOR  
Executive Secretary  
United States Information Agency

MS. JULIE CAVE  
Executive Secretary  
Department of Education

MR. FITZHUGH GREEN  
Associate Administrator of  
International Activities  
Environmental Protection Agency

MR. L. WAYNE ARNY  
Associate Director for  
National Security and  
International Affairs  
Office of Management and  
Budget

SUBJECT: Public Diplomacy Themes for Toronto Economic Summit

Attached are unclassified public diplomacy themes for use by U.S. Government officials in addressing issues related to the Toronto Economic Summit. Please circulate them to your principals.

C-112-1R



The Department of State and USIA are requested to coordinate transmission of these themes to posts abroad.

The Interagency Public Diplomacy Working Group is developing a detailed action plan for the Economic Summit. We request that your principals be made available for public diplomacy programs in support of Summit objectives.

Departments and agencies are reminded that speeches by principals concerning the Toronto Economic Summit should be coordinated with the White House through the National Security Council.

*Robert M. Pentz*  
for Paul Schott Stevens  
Executive Secretary

Attachment

Tab A

Public Diplomacy Themes

A

TORONTO ECONOMIC SUMMIT  
Public Diplomacy Guidance

The leaders of the seven major industrialized nations, the United States, Japan, West Germany, France, the United Kingdom, Italy and Canada, will meet in Toronto June 19-21, 1988, for the fourteenth Economic Summit. The major themes of the Summit are three:

-- The past eight years: increasing recognition worldwide that reliance on free markets and open societies is the only way to promote growth and development; the experience of the past decade has demonstrated that the economies and societies which are the most open and free are the most flexible and adaptable and, therefore, the most likely to experience high rates of growth. State planning, intervention and control do not work. The United States has been in the forefront, domestically and internationally, in bringing democracy and the fruits of economic freedom to people around the world.

-- International cooperation and shared responsibilities: consultation and coordination (Summit, G-7, GATT, NATO) have been revitalized by the President's policies and have proven successful in dealing with economic disturbances and threats to security. Similarly, we call upon our partners to face the future with shared responsibilities.

-- A look ahead: The future is full of challenge, economic and political. The future will belong to those who are flexible and take advantage of the free exchange of ideas, goods and services. We expect the Toronto Summit to take steps forward on this front, giving a major political impulse to the removal of barriers in agriculture, trade and services.

U.S. Positions on Specific Issues:

-- Economic Policy Coordination:

- o Strengthen arrangements for economic policy coordination agreed upon at the Tokyo and Venice Summits;
- o These arrangements demonstrated their resiliency in the wake of the October 1987 turmoil in financial markets;
- o Assure that surplus countries (particularly FRG and Japan) continue to follow through on efforts to improve growth and reduce external imbalances;
- o The U.S. remains committed to reducing its own budget deficit;
- o The United States will continue to cooperate closely with its partners to foster exchange rate stability. The United States believes that excessive fluctuation

of exchange rates, a further decline of the dollar or rise in the dollar to the extent that becomes destabilizing to the adjustment process could be counterproductive by damaging growth prospects in the world economy.

- o In order to continue the momentum for strengthening economic policy, the U.S. endorses:
  - the new commodity price indicator proposed by Treasury Secretary James Baker;
  - commitments to undertake policies aimed at structural change, particularly in financial, labor and agricultural markets; industrial subsidies; regulated industries such as telecommunications and transportation.
- o Political direction by the leaders to review structural issues in the G-7 ministerial meetings will give impetus to ongoing work in the OECD and elsewhere.

-- Agriculture

- o Agricultural reform should advance beyond the commitments taken at Venice;
- o The U.S. endorses a market-oriented approach to the current Uruguay Round of the GATT negotiations, in line with the U.S. proposal to phase out trade distorting government subsidies and import barriers;
- o A framework agreement to establish long-term goals for a fundamental reform of world agriculture should be completed by the mid-term review of the GATT Uruguay Round in December 1988.

-- International Trade

- o Summit endorsement of a substantial outcome at the mid-term review of the Uruguay Round, particularly in agriculture, services, intellectual property and the functioning of the GATT system;
- o Reaffirm opposition to protectionist trade measures;
- o Discussion of how non-OECD countries, particularly the Newly Industrialized Countries (NICs) can contribute responsibly to sustaining global prosperity, commensurate with their economic strength and extensive trading relationships.

-- International Debt

- o The international debt strategy that we have been following since October '85 is working;
- o Substantial progress has been made since Venice, both bilaterally (Brazil and Mexico) and through the Paris Club.
- o Summit countries pursue further development of the case-by-case "menu" approach to resolve debt problems while discouraging global solutions or taxpayer assumption of Lesser Developed Country (LDC) debt;
- o Emphasize the need for continued assistance to the low-income countries through enhanced support from the Summit countries and international financial institutions.

-- Other Topics which May Be Discussed:

- o Relationships with the Newly Industrialized Countries;
- o East-West economic relations and implications for allied security;
- o Our strategy for managing East-West relations more generally;
- o Regional issues;
- o Cooperation against terrorism;
- o Narcotics;
- o Environment.

Major Accomplishments of Past Summits

- Provided the impetus for greater reliance on market forces and structural reform, issues first raised by President Reagan in Ottawa in 1981;
- Created multilateral surveillance mechanism; highlighted role of emerging technologies and the need for greater consensus on East-West economic relations (Versailles, 1982);
- Laid the groundwork for our international debt strategy (Williamsburg, 1983), which evolved into the Baker Plan;
- Set forth common arms control goals and indivisible nature of security of Summit countries (Williamsburg, 1983);

- Encouraged structural adjustment policies in developing countries and gave increased impetus to new multilateral trade negotiations under the GATT (Bonn, 1985);
- Increased international economic coordination among Summit countries, (Tokyo, 1986 and Venice, 1987);
- Placed agricultural reforms squarely on the international economic agenda (Tokyo, 1986);
- Developed a tough coordinated policy against international terrorism (Bonn, 1978; Tokyo, 1986).